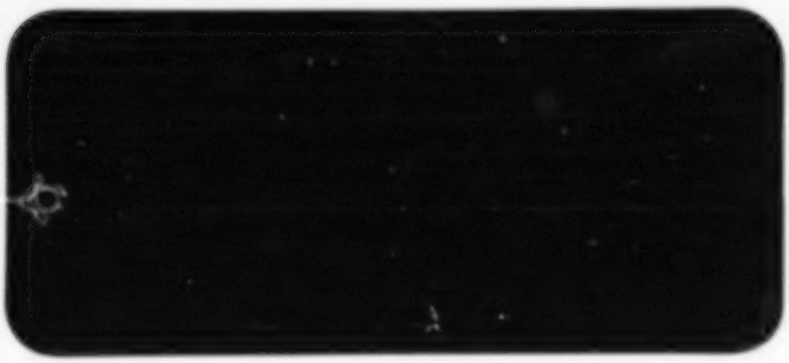
MANITOBA
ENERGY
AUTHORITY



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THE MANITOBA ENERGY AUTHORITY

NINTH ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 1991

Manitoba

Minister of
Energy and Mines

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

(204) 945-4601

The Honourable George Johnson
Lieutenant Governor of the Province of Manitoba

May it please your Honour:

I have the honour of presenting to you the Ninth Annual Report of the Manitoba Energy Authority for the fiscal year ended March 31, 1991.

Respectfully,

Harold J. Neufeld
Minister

MANITOBA ENERGY AUTHORITY

12th Floor, 191 Lombard Avenue/Winnipeg, Manitoba, Canada/R3B 0X1
Telephone: (204) 945-0193 FAX: (204) 945-8808

The Honourable Harold Neufeld
Minister Responsible for
The Manitoba Energy Authority
Province of Manitoba
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting the Ninth Annual Report of The Manitoba Energy Authority together with financial statements for the fiscal year ended March 31, 1991.

Respectfully submitted,

John S. McCallum
Chairman
Board of Directors
The Manitoba Energy Authority

THE MANITOBA ENERGY AUTHORITY

LEGISLATIVE MANDATE

The Manitoba Legislature established The Manitoba Energy Authority through the Manitoba Energy Authority Act. The Manitoba Energy Authority is funded by appropriation from the Consolidated Fund. The Act assigns to the Authority the responsibility to formulate and carry out energy policies designed to assure a continuing and adequate supply of energy in the province; to alleviate the effects of any energy shortage that may occur in the province; and to promote the establishment, development and operation, within the province, of industries and undertakings that are by their nature energy-dependent.

This mandate makes The Manitoba Energy Authority responsible for investigating potential extra-provincial markets for electrical energy and to negotiate or direct negotiations for the sale or purchase of electrical energy exported from or imported to the province. The Authority is mandated to compile and review data on the supply and demand for energy so as to keep the Minister of Energy and Mines apprised of current conditions relating to the present and future availability of energy supplies in the province, in Canada and in other countries.

In addition, The Manitoba Energy Authority undertakes related duties as directed by the Minsiter of Energy and Mines or the Lieutenant Governor in Council. The Authority has been charged with the responsibility to coordinate public policy objectives related to the construction of the Limestone Generating Station, particularly with regard to purchasing and tendering, industrial benefits, and training and employment.

This mandate has been administered by the Authority's Board of Directors through its standing committees. The Board's* six members are appointed by the Government of Manitoba. The current members are:

John S. McCallum	Chairman Chairman Manitoba Hydro Professor, Faculty of Management University of Manitoba
John J. Arnason	Vice-Chairman Former President and Chief Executive Officer Manitoba Hydro
R. B. Brennan	President and Chief Executive Officer Manitoba Hydro
Ian Haugh	Deputy Minister Manitoba Energy and Mines
Hugh Eliasson	Deputy Minister Manitoba Industry, Trade and Tourism
Charles E. Curtis (ex officio member)	Chief Executive Officer Manitoba Energy Authority and Deputy Minister, Manitoba Finance

* Board members during the year under review also included A. Brian Ransom, formerly Chairman.

ACTIVITIES OF THE MANITOBA ENERGY AUTHORITY

POWER EXPORT NEGOTIATIONS

The Electrical Energy Marketing Committee is established to investigate potential extra-provincial markets for electrical energy; and to negotiate or direct negotiations for the sale or purchase of electrical energy exported from or imported to the province.

The Electrical Energy Marketing Committee's membership is appointed by the Authority's Board of Directors. Current members are:

John J. Arnason	Member
John S. McCallum	Member
R. B. (Bob) Brennan	Member
R. O. (Ralph) Lambert	Executive Vice-President Manitoba Hydro
H. Clare Moster	Assistant Deputy Minister, Energy Divsion Manitoba Energy and Mines

ENERGY POLICY

The Energy Allocation Committee is established to investigate and review data respecting the supply of and demand for energy; to develop plans for the allocation of supplies of energy; to investigate and review the plans or programs of other provinces or countries for the allocation of supplies of energy; and to maintain a continuing liaison with the Government of Canada with respect to the actual or prospective implementation of The Energy Supplies Emergency Act, 1979 (Canada).

The Energy Division of Manitoba Energy and Mines, on behalf of the Energy Allocation Committee, continues to review petroleum supply and demand, and liaise with the Government of Canada and other provinces on energy planning issues.

The Energy Allocation Committee's membership is appointed by the Authority's Board of Directors. Current members are:

John J. Arnason	Member
Ian Haugh	Member

GY INTENSIVE INDUSTRIAL DEVELOPMENT

Over the past year the Authority has worked closely with government private sector representatives on a number of specific industrial eavours.

The Authority and Dow Corning Corporation of Midland, Michigan cuted a Memorandum of Understanding dated November 1, 1988 to pursue a icon Products Commercial Development Program. The objectives of this joint mmercial development program are to verify and utilize advanced technologies the production of silicon in Manitoba.

The development program consists of three project stages with parate Subsidiary Agreements negotiated for each stage defining financial d contractual management terms. Costs are shared among the Authority, Dow rning and the Western Economic Diversification Program (Government of anada).

A Stage I Subsidiary Agreement, feasibility testing of Manitoba ilica sand for producing silicon metal in a plasma fired, closed furnace, was completed in October 1989. A Stage II Subsidiary Agreement covers the construction and operation of a commercial demonstration pilot plant in Manitoba. The ground-breaking ceremony for the pilot plant facility took place on October 15, 1990 and construction is expected to be completed in late 1991.

Promotional, research, and commercial activities have been pursued with a number of Japanese, European and American firms associated with various energy-intensive project opportunities. In the past year the Authority has undertaken industrial promotion missions to Japan and Korea. Preliminary investigations and discussions are taking place with several commercial companies for potential projects related to silicon, magnesium, hydrogen and titanium.

LIMESTONE PLANNING AND COORDINATION

The Authority continued to administer industrial benefits agreements with General Electric Canada, associated with the supply of turbines and generators for Limestone, and with MIL/Tracy, a division of THE MIL GROUP INC., for the supply and installation of synchronous condensors at Manitoba Hydro's Dorsey Converter Station.

WIND DOWN OF THE AUTHORITY

Subsequent to the end of the fiscal year, the Government of the Province of Manitoba decided that the Authority would be wound down. The effective date for the cessation of corporate activities has yet to be determined. However, certain ongoing functions of the Authority, in particular the Silicon Products Commercial Development Program are being transferred to the Manitoba Department of Industry, Trade and Tourism as and from April 1, 1991. Funding has been provided for continuation of the Program in accordance with the agreement in that Department. Provision from and out of the Province's "Internal Reform, Workforce Adjustment and General Salary Increases" appropriation is available for implementation of the Authority's wind down.

The Board of Directors acknowledges the valuable contributions of its former Chairman, Mr. A. Brian Ransom and the staff of the Manitoba Energy Authority.

THE MANITOBA ENERGY AUTHORITY

Financial Statements
for the Year Ended March 31, 1991
and Auditors' Report to the Directors

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

360 Main Street, Suite 2200
Winnipeg, Manitoba R3C 3Z3

Telephone: (204) 942-0051
Telecopier: (204) 947-9390

AUDITORS' REPORT

To the Board of Directors of
The Manitoba Energy Authority

We have audited the balance sheet of The Manitoba Energy Authority as at March 31, 1991 and the statement of operations and accumulated receipts for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Winnipeg, Manitoba
May 10, 1991

THE MANITOBA ENERGY AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED RECEIPTS

	Year Ended March 31	
	1991	1990
RECEIPTS		
Grant receipts	$ 3,102,685	$ 2,065,227
Miscellaneous receipts	6	212
	3,102,691	2,065,439
EXPENSES		
Personnel services	770,011	744,925
Travel	64,109	124,286
Communications	18,789	32,788
Rentals	109,429	102,825
Professional services	171,677	242,088
Depreciation and amortization	12,249	14,768
Other operating	37,333	45,240
Silicon Products Commercial Development Program (Note 4)	1,875,554	740,555
	3,059,151	2,047,475
NET RECEIPTS FOR THE YEAR	43,540	17,964
ACCUMULATED RECEIPTS (DEFICIENCY), BEGINNING OF YEAR	837	(17,127)
ACCUMULATED RECEIPTS, END OF YEAR	$ 44,377	$ 837

Deloitte & Touche

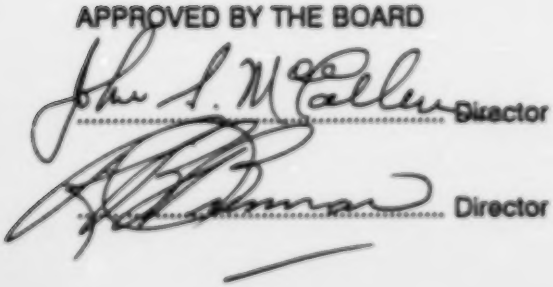
THE MANITOBA ENERGY AUTHORITY

BALANCE SHEET

March 31, 1991

	1991	1990
ASSETS		
CURRENT		
Cash	$ 56,105	$ 163,105
Accounts receivable	629,162	385,710
Prepaid expenses	5,706	8,703
	690,973	557,518
FIXED - at cost, less accumulated depreciation (Note 3)	42,109	54,358
DEFERRED PENSION COSTS	263,310	155,872
OTHER ASSETS, at cost	4,336	4,336
PROVINCE OF MANITOBA RECEIVABLE - unfunded pension costs	87,685	-
	$ 1,088,413	$ 772,084
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 503,823	$ 426,157
UNFUNDED PENSION OBLIGATIONS	540,213	345,090
	1,044,036	771,247
SURPLUS		
ACCUMULATED RECEIPTS	44,377	837
	$ 1,088,413	$ 772,084

APPROVED BY THE BOARD



..... Director

..... Director

Deloitte & Touche

THE MANITOBA ENERGY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1991

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1. AUTHORITY AND MANDATE

The Manitoba Energy authority is incorporated under a specific statute in the Province of Manitoba, being "The Manitoba Energy Authority Act" Chapter E112 of the Continuing Consolidation of the Statutes of Manitoba.

The Authority is responsible for the following:

a) Developing and implementing policies to ensure the long-term stability and availability of electrical energy supply to Manitobans.

b) Through its Electrical Energy marketing Committee, for negotiating export sales of electrical energy with other provincial utilities and with utilities in the United States.

c) For promoting the establishment, development and operation of energy intensive industries within the province.

d) For co-ordinating all governmental and Manitoba Hydro activities related to industrial and employment benefits associated with the Limestone Generating Station Project.

The annual budget of the Authority is provided by way of grants from an appropriation of the Province of Manitoba's Consolidated Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Pension Costs

Pursuant to Section 29 of The Manitoba Energy Authority Act, the Lieutenant Governor in Council has directed that The Civil Service Superannuation Act apply to employees who were employed under The Civil Service Act immediately prior to becoming employed as officers or employees of The Manitoba Energy Authority effective the date on which they become employed with The Manitoba Energy Authority. In accordance with the provisions of The Civil Service Superannuation Act, the Authority is required to contribute 50% of the pension disbursement made to its retired employees. There has been no funding of pension obligations to date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Pension (continued)

The cost of pension benefits provided in exchange for employees' service rendered in the period are determined using the projected benefit method prorated on services. Deferred pension costs represent the unamortized present value of the pension plan deficit which arose on commencement of the plan. Deferred pension costs are being amortized on a straight-line basis over a period of 20 years.

The triennial actuarial valuation provided for under The Civil Service Superannuation Act was completed in 1991 for December 31, 1989. As a consequence of additional, new staff participation in the plan since the last valuation date, the Authority's future obligations increased by $122,744. This experience loss is being amortized on a straight line basis over a period of 20 years.

The Authority has also established a Money Purchase Pension Plan for those employees who do not contribute to The Civil Service Superannuation Fund. This Plan provides for full vesting after a qualifying period by the employees. Both the Authority and the employees contribute to the Plan on the basis of the employees' regular salary.

b) Depreciation

Depreciable assets other than leasehold improvements are depreciated at the rate of 20% per year on the declining-balance basis.

Leasehold improvements are amortized on the straight-line method over the life of the lease, a period of five years.

3. FIXED ASSETS

The major categories of fixed assets and related accumulated depreciation as at March 31, 1991 are as follows:

	1991			1990
	Cost	Amortization and Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and office equipment	$ 82,833	$ 60,087	$ 22,746	$ 28,432
Computer equipment	69,772	52,223	17,549	21,936
Leasehold improvements	10,649	8,835	1,814	3,990
	$ 163,254	$ 121,145	$ 42,109	$ 54,358

4. SILICON PRODUCTS COMMERCIAL DEVELOPMENT PROGRAM

The Authority has entered into a Memorandum of Understanding dated November 1, 1988 with Dow Corning Corporation of Midland, Michigan which provides for the establishment of a Joint Program known as the Silicon Products Commercial Development Program.

The Joint Program is undertaken pursuant to detailed staged or Subsidiary Agreements which include source of funding for the work to be undertaken. A Stage I Subsidiary Agreement was executed as of November 1, 1988 and work completed in October 1989 at a cost to the Authority of $253,607.

A Stage II Subsidiary Agreement was executed October 1, 1989 and amended September 21, 1990 which commits the Authority to provide funding not to exceed $6,664,800, by way of loans, in the following amounts for the years ending March 31:

1990	$ 602,000
1991	3,126,000
1992	1,660,000
1993	1,276,800

Financial assistance by the Authority is repayable by Dow Corning Corporation, subject to certain conditions. Repayment is not virtually certain nor, in the event that it may be, is the repayment period readily identifiable. Accordingly, the Authority is expensing its financial contributions to the Joint Program.

5. FUTURE COMMITMENTS

Future minimum rental payments required under operating leases for the year ending March 31 are as follows:

1992	$ 69,577

The Authority has also entered into consulting contracts and other agreements which have a potential future obligation of approximately $18,750 (1990 - $27,986).

6. STATEMENT OF CHANGES IN FINANCIAL POSITION

A statement of changes in financial position has not been included as the changes in financial position are evident from the balance sheet and statement of operations and accumulated receipts.

7. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.

8. SUBSEQUENT EVENT

Subsequent to the end of the fiscal year, the Government of the Province of Manitoba decided that the Authority would be wound down. The effective date for the cessation of corporate activities has yet to be determined. However, certain ongoing functions of the Authority, in particular the Silicon Products Commercial Development Program (Note 4) are being transferred to the Manitoba Department of Industry, Trade and Tourism as and from April 1, 1991. Funding has been provided for continuation of the Program in the Department in accordance with the agreement.

No appropriation of the Consolidated Fund (Note 1) for the Authority's operations has been provided for the year ending March 31, 1992. However, provision from and out of the Province's "Internal Reform, Workforce Adjustment and General Salary Increases" appropriation is available for implementation of the Authority's wind down.

In accordance with the provincial policies regarding the disposal of assets, the Authority intends to transfer title to all of its assets to the Province of Manitoba. Similarly, all liabilities will be discharged effective the final date for wind down.

Financial statements will be prepared on the wind down of the Manitoba Energy authority.